# RAJYA SABHA

*Wednesday, the 3rd May*, 2000/13 *Vaisakha*, 1922 *(Saka)*

The House met at Eleven of the Clock, MR. CHAIRMAN In the Chair

## ORAL ANSWERS TO QUESTIONS

### State Electricity Boards

*521. SHRI SOLIPETA RAMACHANDRA REDDY: †
SHRI K. KALAVENKATA RAO: Will the Minister of POWER be pleased to state:

(a) whether 18 out of 20 State Electricity Boards have a negative rate of return;

(b) if so, the reasons for the mounting losses of SEBs during the last three years;

(c) whether inadequate private sector investment is leading to poor financial health of State Electricity Boards (SEBs); and

(d) the joint resource mobilisation effort proposed by the Central Government for renovation, modernisation, strengthening of transmission and distribution system of all electricity boards and to achieve the target of power generation in the country ?

THE MINISTER OF POWER (SHRI P. R. KUMARAMANGALAM): (a) to (d) A statement is laid on the Table of the House.

STATEMENT

(a) As per Annual Statement of Accounts for the year 1997-98, 14 State Electricity Boards had a negative Rate of Return (without subsidy).

(b) The major factors for the losses of SEBs *inter alia* are theft and pilferge, high T &D losses and unsustainable cross subsidy leading to large gap between cost of supply and revenue collection. In some States the efficiency of thermal plants is also low.

(c) No, Sir.

(d) Additional funding assistance through a combination of grant and

†The question was actually asked on the floor of the House by Shri Solipeta Ramachandra Reddy.



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loan is proposed to be given to the State Governments for (i) Renovation and Modernisation (R and M) and life extension/uprating of generating stations and (ii) strengthening/upgradation/improvement of distribution system including metering under the Accelarated Power Development Programme (APDP). The modalities for implementing the APDP scheme are being finalised by the Planning Commission. A provision of Rs. 1000 crores has been made in the budget for implementing the APDP scheme during the current financial year.

SHRI SOLIPETA RAMACHANDRA REDDY : Sir, with regard to part (a) of the question, the Minister should give the up-to-date figures. He is giving the figures relating to the year 1997-98 whereas we have read in the newspapers about the figures relating to the year 1998-99; according to that, out of 20 State Electricity Boards, 18 SEBs have a negative rate of return. I would request the hon. Minister to give the latest figures relating to the year 1999-2000 and not the figures relating to the year 1997-98. Secondly, the hon. Minister has regretted in the Power Ministers conference that 35 crore Indians and 7.7 crore household people are still without electricity. The gap between power supply and demand has been steadily widening since the new power capacity, to be added through the private power producers, could not materialise. I want to know whether the Government proposes to invest through the Power Finance Corporation for updating the existing power units to create more power, and if so, the details thereof.

SHRI P.R. KUMARAMANGALAM : Sir, I am sorry that unfortunately, the official records of the CEA show the last audited accounts that have been submitted to us by the SEBs. What was in Newspapers, happens to be what we call the unaudited accounts, which are sent across, and normally, the SEBs take a couple of years. I shall send what we have on that account to the hon. Member. But normally, when we reply in Parliament, we can only say what is officially on our record in terms of updated accounts. With regard to the Power Trading Corporation taking up purchase of power in certain cases from both private as well as the State Electricity Boards plants, it is under consideration. The Cabinet has taken a decision, the Government has taken a decision to permit them to do so. They are negotiating now with some of the independent power producers on the tariff as well as with some of the State Electricity Boards on the surplus power to sell them in areas where there is shortage of power.

SHRI SOLIPETA RAMACHANDRA REDDY : Sir, the annual commercial losses of the SEBs in the country without subsidy have increased from Rs. 1565 crores in 1995-96 to Rs. 10684 crores in 1997-98. The losses are

increasing every year. I want to know from the hon. Minister as to what steps are being taken to provide loans and grants to the companies undertaking development of transmission and distribution system and for renovation and modernisation. Secondly, I want to know from the hon. Minister as to what steps have been taken to reduce, and finally, to eliminate all power thefts, within a specified time-frame, as decided in the Power Ministers conference held on 26th February, 2000.

SHRI P.R. KUMARAMANGALAM : The reason, if I may at the outset, point out why the deficit increases year by year, is essentially that, whenever we add an additional megawatt of capacity, we are actually adding approximately Rs. 30 lakhs per year loss to our account for the simple reason that both the tariff as well as recoveries do not really match the cost of production and supply. But while that is so, the second part of the question which really deals with it is, what the Government of India is doing with regard to R&M and T&D losses. I wish to make it clear that the Finance Minister, in his Budget speech, has made it exceptionally clear that Rs. 1000 crores would be allotted this year towards renovation and modernisation as well as what is called system improvement or reduction in T and D losses in a technical way. This amount of Rs. 1,000 crores to the States would hopefully give a leverage and we may bring it up to Rs. 4,000 crores for ensuring that in the next couple of years we will be able to address some of the major problems which we are facing in the T and D area. With regard to theft, the Power Ministers of the States have taken a decision to, firstly, ensure 100 per cent metering of all legal connections, I repeat all legal connections, by December, 2000. Today, we are in a position where only 60 per cent of the legal connections have meters. Forty per cent of the legal connections do not have meters. It means an investment of approximately Rs. 4,000 crores in metering. When this is so, newer technologies are being investigated and studied for remote metering and what is called tamper-proof metering in electronic meters to ensure that we reduce the theft by technological methods. The law is quite powerful in the sense that under the Electricity Act you can take very strong steps, penal in nature, to stop theft. But it doesn't happen most of the times because he, who should be the complainant, himself does a little bit of compromising and he is part of permitting a little bit of theft that is taking place. Therefore, the real answer is the technological answer where, I think, we have proceeded reasonably far and we will be able to handle this quite quickly at the national level. I am happy to inform the House that, cutting across paty lines, all State Power Ministers are seriously addressing themselves

this issue and we are conscious that this is the real genesis of the problem in the power sector.

SHRI K. KALAVENKATA RAO : Sir, agreements of power purchase are mounting on State Electricity Corporations. The hope that the Government reposed on independent power producers is belied and they could not meet the targets of power generation. In the case of several plants, financial closure has not been made resulting in cost overruns. This would escalate the cost of production and definitely impose financial burden both on the Government and the consumers. The first part of my question is: (a) What action does the Government propose to initiate against those companies which did not honour the financial closure even after obtaining the counter-guarantee from the Government of India ? (b) What is the commitment that the Government is obtaining from independent power producers in return to the counter-guarantee? (c) Is there any provision to nullify the counter-guarantee in such cases ?

SHRI P. R. KUMARAMANGALAM : Sir, I agree with the hon. Member, who is my good friend, that the independent power producers' targets in the Eighth Plan were not really met. Firstly, I believe we had set to high a target for them. In the light of the fact that the financial position of the State Electricity Boards, who are monopoly buyers of power, being very poor, financial closure of a large number of independent power producers would be very difficult. I think it should have been foreseen. Unfortunately, it was not. We has put a large target which could not be met. Similarly, in the Ninth Plan the targets, which were earlier set, are extremely ambitious, in so far as private power producers are concerned. Private power requires to have contracts which are properly secured. In other words, securitisation of the contracts needs to be of an exceptionally higher level. In public sector invariably it is just a letter of credit which, sometimes, is bounced and, sometimes, we adjust the accounts, and there is a lot of paper work which goes on. But in the private sector it has to be actually cash availability. That is why the escrow system has come into being I wish to inform the House that it is not so bad. Financial closure has been achieved by 14 projects which really now worth 5,598 megawatts. We have financial closure in the year 1998-99 of an additional 920 megawatts. We have financial closure coming in this year of another 2000 megawatts. So, nearly, 9,000 megawatts of private power would be on stream during another two-and-a-half to three years from today. We already have about 4000 megawatts on stream. Why this is so? We have found that most of our SEBs do not really have the escrow capability and the projections of escrow vary from one financial

consultant to another. That is why we have decided that we will put down milestones on reforms. The reforms are more from the point of view of ensuring that the revenue-earning capacity of the SEBs goes up; like, for example, the first concentration would be on reducing the T and D losses, improving the billing, ensuring higher recovery. That will be the first emphasis. Alongwith that, accountability at various levels of distribution, starting from sub-station onwards, will also be fixed to ensure that atleast the power that is distributed is known; we know where we are really losing power, which we are not able to build. It is milestones which we are going to use in future. We have a group called the Crisis Resolution Group which is chaired by me. This group was appointed by the Prime Minister, wherein financial institutions too participated. It is there that we took the decision that instead of sticking to the old escrow rule, we will try to stick to milestones for reforms, at the same time, looking at the exact manner in which the particular SEB is improving its economic situation, reducing its T and D losses, improving its billing and revenue-earning. We will see that financial closure is done for more IPPs as well as public sector units.

SHRI S. B. CHAVAN : Mr. Chairman, Sir, I have to put two or three questions to the hon. Minister. Now, subsidy having been decreased, the losses being incurred by the Electricity Boards are bound to go up. In these circumstances, I would like to know, what were the compulsions which made the Government of India think that almost all the Electricity Boards were in the red. There is hardly any possibility in the foreseable future, of their improving conditions. In spite of the fact that the World Bank had opposed the idea of giving counter-guarantee, how is it that counter-guarantee has been given by the Central Government for some projects ? Whether the hon. Minister can possibly give me an idea that during the course of plan itself, how many of these counter-guarantee projects are going to add to the generation of electricity. Now there is a provision and the hon. Minister is talking about an allocation of Rs. 1000 crores for the accelerated power development programme. It is still in the offing. The hon. Minister was pleased to say that in every megawatt added, there is a gap between the recovery and the charges given; there is a gap between the two. In spite of that fact, if these Rs. 1000 crores, are going to be added, how much will be the liability of the Central Government? Will the hon. Minister kindly inform the House about it.

SHRI P. R. KUMARAMANGALAM : Mr. Chairman, Sir the hon. Member is a very senior member and he knows much more about power than I do. But

would he recollect that the counter-guarantee projects was a decision that was taken during the period between 1991-1996. There were eight projects. *(Interruptions)*

SHRI S. B. CHAVAN : I am not interested in knowing which Government has given, but in the systems as a whole . . . *(Interruptions)*

SHRI P. R. KUMARAMANGALAM : I am sorry; I did not mention the Government; I only mentioned the period of time when it was taken. They were considered fast-track projects. Unfortunately, there are the projects which have been the least on the fast track.

There were not in the counter guarantee which completed financial closure and went on much faster. Whether it was a right decision or a wrong decision, it was a decision taken by the then Government which our Government decided to honour because that is our Constitutional form of system. Out of the eight projects. . .

SHRI S. B. CHAVAN : Did the subsequent Governments also give counter-guarantee?

SHRI P. R. KUMARAMANGALAM : Yes. All the Governments gave counter-guarantee. It is not that any Government has dishonoured the earlier decision because that would bring down our credibility tremendously in the international market. The fact is that out of the eight projects, five projects have done financial closure and four of them are on stream generating power. The fifth one, i.e. the STCMS project should be ready in three years from now. In the case of the other three projects, the Mangalore Power Project is in an advanced stage. I would like to inform the House that I have been told that though Congentrix has withdrawn from it, the New China Light and Power as well as its Indian partner whose name I should not reveal today—they have an Indian partner—would come. The Mangalore Power Project would be on stream. It has come with a recommendation from the Karnataka Government. The Vizag project is at a stage where escrow being a condition in the counter-guarantee, there are some problems. We are having discussions with them. Escrow ability of Andhra Pradesh is in a very questionable state of affairs due to financial circumstances of the APTRANSCO, a transmission company. However, we are having discussions. I do understand that in discussions between the APSEB, the APTRANSCO, a transmission company, and the Vizag promoters, there was a proposal for cost reduction which is quite substantial. I, therefore, expect

that the second counter-guarantee project would also achieve financial closure. The Bhadrawati project is highly dependent on the Maharashtra State Electricity Board and the views of the Maharashtra Government. I do believe that Shri Chavan and Shri Salve both hon. senior members from that State would be able to help in achieving the financial closure there because the Maharashtra Regulator has also passed some orders on choosing which generation unit should back down first. I expect that it is the costlier power generation unit which should back down rather than the cheaper one. It is a politico-economic decision which has to be taken by the Maharashtra Government and the Maharashtra State Electricity Board with regard to the Bhadrawati project. Out of the eight counter-guarantee projects which are there, this is status of the three projects. Four of them are on stream. One has achieved financial closure and it is in an advanced stages, *i.e.* the Neyveli project. It will come on line. This is the position of these eight projects. We have issued no counter guarantees except where we have taken a decision. There is one more the Ib Valley project in Orissa which I also in a very advanced stage. They have completed almost all the financial pre-conditions. I think very soon the counter-guarantee would be issued to them. Their financial closure will go on.

SHRI S. B. CHAVAN : My last question was about the liability.

SHRI P. R. KUMARAMANGALAM : The real reason for spending Rs. 1000 crores was to reduce the liability. The objective is to reduce the T and D loss which is really a major malice in the system, as I pointed out earlier. By increasing the PLF of the existing generating plants by R&M and by reducing the T and D loss, we will be bridging this gap which has been created essentially due to not picking up revenue. These are approximate figures. These figures are highly questionable which come to us formally. What we understood by a sample investigation is that out of every rupee that is spent on power that we generate and sell, we are actually receiving into our exchequer somewhere in the region of 45 paise.

So, that being the situation, we, naturally, add this much loss every time. But if we reduce our T and D losses, reduce the theft of power, improve the PLF, then, I am sure, even without increasing the tariff, we should be able to bridge the gap substantially. And this money is, really, invested for that.

SHRI M. VENKAIAH NAIDU : Sir, I feel that Question Nos. 521, 528 and 530 can be combined together because all of them are inter-connected.

SHRI PRANAB MUKHERJEE : No. They are all separate questions pertaining to the Power Ministry. Already, 20 minutes have gone by . . . . . *(Interruptions)*

DR. BIPLAB DASGUPTA : They are all separate questions relating to Power Ministry. They cannot be clubbed together.

SHRI M. VENKAIAH NAIDU : I am not going to quarrel unnecessarily on this. My main supplementary is, part (c) of the main question—whether inadequate private sector investment is leading to poor financial health of State Electricity Boards—has not been specifically answered. I would like to know from the hon. Minister whether inadequate private investment is also one of the reasons for the present state of affairs. Secondly, I would like to know regarding the recommendations or conclusions reached at the Power Ministers' Conference held in February this year. Then, with regard to this problem of transmission loss, they have to improve the health of the State Electricity Boards, because the Minister, while answering one of the supplementaries, said, "We will be able to mobilise additional Rs. 20,000 crores if we are able to stop theft and pilferage of power." That being the case, what were the conclusions reached in the Power Ministers' Conference with regard to this particular problem. What is the Action Plan drawn for this particular purpose? It is because in the case of some of the State Electricity Boards, including that of Andhra Pradesh, the transmission loss is around 30 per cent. That being the case, is there any specific study carried out by the Central Electricity Authority? If so, at what stage is this going on? Also, what is the action plan by which the Central Government is giving enough direction or guidance to the State Electricity Boards?

SHRI P.R. KUMARAMANGALAM: Sir, with regard to part (c) of the question, the answer is specific. The question is, whether inadequate private sector investment is leading to poor financial health of State Electricity Boards. The answer is 'No'. It is obvious that inadequate investments are not leading to a bad financial situation...

SHRI PRANAB MUKHERJEE: It is the financial situation standing in the way of inadequate investment.

SHRI P.R. KUMARAMANGALAM: Yes, it could be the other way round.

As regards the Power Ministers' Conference having taken a decision on the issue of power theft, we are very conscious of this situation. The first step

that was decided, as I said earlier, is that we would target ensuring at least our legal customers, all of them, to be metered so that we know what is the power that they are consuming. We would also do what is called the energy audit. In other words, we would ensure to analyse how much energy is flowing at each sub-station level so that we, at least, know in a particular area, what is the power that is flowing out of that sub-station and whether it is getting billed or not. That is the first step. The second step is metering the consumers. The third step is to bring in newer technology like remote-metering, etc. so that like a telephone, you can switch it off at the exchange, and, therefore, very few people can avoid paying the bills. Here, in India, unfortunately, when you go to switch off the power connection and try to remove the fuse, you are quite capable of facing substantial violence. Therefore, we are looking at remote-metering and remote-switching off as a method, in the future, for controlling non- payment of bills and also theft of power. That is the third stage. These are specific decisions taken. We have given time-limits. We are arranging financing.

The CEA has done some studies in four places. In one of the places, we have found what was predicted and shown as 24%--unfortunately, this is in Bengal—it worked out to be much higher in T and D loss. But this is a sample area and, unfortunately, also a rural area. Therefore, it does not necessarily reflect the whole State. But we do believe that looking at the billing and the recovery of billing and non-billing, we do have an average of about 35% of T and D loss. The CEA has informed me that 15% is really what is technically the right amount and the balance, most probably, is what we called unaccounted supply of power.

DR. ALLADI P. RAJKUMAR: Sir, today almost all the Electricity Boards are reeling under severe losses. I would like to know whether the Government have got any proposal to rescue these Electricity Boards. Today, in Andhra Pradesh, our Chief Minister is taking up new reforms by bifurcating transmission, distribution and generation. I would like to know whether you are going to implement these reforms in other parts of the country as well. Secondly, the hon. Minister has said that the Finance Ministry has allocated Rs. 1000 crores for renovation and modernisation of the ageing plants, as well as for transmission. Which are those plants that are being taken up on priority basis?

SHRI P.R. KUMARAMANGALAM: The CEA is in the process of prioritising the R&M plans. With regard to T and D losses also, specific area studies are being conducted with the SEBs and the CEA together to see to it what can be done. The Planning Commission, the Finance Ministry and the

Ministry of Power are drawing up the scheme in detail. As soon as it is finalised, I shall bring it to the notice of the hon. Member.

With regard to the losses, I must say that the Uttar Pradesh example is the best example. They did reform. They did not, I repeat, did not, leave any liability on the new corporations. Unfortunately, both in Andhra and in Orissa, after reform, the GRIDCO, or, rather the transmission company, was made to bear all the earlier liabilities and, therefore, making it very difficult to restructure effectively. In Uttar Pradesh, the World Bank loan, which was made available, and some advances from the Government of India, were used to write off the earlier liabilities and, therefore, the new corporations came with a clean sheet, which was not done in other places. If financial restructuring is done properly, there is a lot of assistance available both for multilateral as well as from the Government of India to set it right. But then, one has to be straight about it. One has to come forth as a State Government, accept their liabilities and agree to write off their liabilities on their account and not pass the buck on to a new structure which cannot take a loan. That is the real situation.

SHRI PRANAB MUKHERJEE : The hon. Minister is trying his best to improve the power situation and I wish him all success. At the same time, the difficulties are well-known to everybody. I would like to have answers from him to two simple questions. I would like to know whether, in regard to the decisions they took at the Power Ministers' Conference on meeting the T and D losses, the subsidies, the minimum rates, all of which you have identified as the reasons for the losses of SEBs, any specific time-frame in respect of various items has been indicated. For example, 40% of even the regular, legal customers are not metered. Can he tell us whether any time-frame has been fixed by which the legal recipients. I am not talking of the illegal recipients—will be brought under the regular metering system. So, has any time-frame been fixed for that? I would like to put a second question because I am a little confused; not so much confused. I would like him to clear the confusion on the accelerated power development programme, for which Rs. 1000 crores have been allocated in the current year's Budget. If I heard him correctly, in reply to the last supplementary, he said that the CEC was in the process of identifying the research and development institutions and organisations through which they would like to fund. Is this Rs. 1,000 crores an additionality, or, is it a part of the overall Central support you are giving to the power sector? If it is additional, I would like to know whether it is area-specific or project-specific. Has the identification process been completed or it is in hand?

SHRI P. R. KUMARAMANGALAM : I am happy to inform the hon. Member, who had been a Finance Minister himself. He knows how difficult the sector has been. It is an additionality and it is not a part of the normal Plan. In fact, what we, as Ministry of Power, are trying to do is to see whether we can use this Rs. 1000 crores to leverage it through subsidised loan-cum-grant system so that we can increase it to Rs. 4,000 crores. It is under discussion with banks and financial institutions. We have not yet completed the identification process because if it were not going to be leveraged, the amount available would be only Rs. 1,000 crores. Therefore, the number of projects would become less. We will also have to decide whether we are going to first target T and D and metering, or, we are going to target renovation and modernisation. I must, at this moment mention that the power sector has done reasonably well. Our national PLF level is now 68%, which is quite good, considering that the Eastern region, which has a surplus, has a lower PLF because they are not able to generate, as there is not much demand. If you look at it, minus the Eastern region, we are at the international standard. It is not that we are poor in that.

Mr. Chairman, Sir, I may, with your permission, submit that the target that we have set in the Power Ministers' Conference, for metering, is December, 2001. It is quite utopian because the time left to reach the target of 196 lakh thousand consumers by December, 2001, is quite a challenge. However, the Ministers were very optimistic. I had mentioned in the Conference that what they were talking seemed a great challenge. They said that if we were able to help them financially, they could do it. The Power Finance Corporation and all the financial institutions said, 'For metering, we would give money at earth cheap interest rate, even well below the normal rate of interest, because we know that meter gives us money back.' So, everybody was talking positive and the target date they set was 2001. If we can achieve that, power will take a tremendous positive turn in the next couple of years.

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*522.[The questioners (Shri Amar Singh and Shrimati Jaya prada Nahata) were absent. For answer *vide* page 23 *infra*]

*523. [The questioner (Shri Gandhi Azad) was absent. For answer vide page 24 *infra*].

**Counter Guarantee of VTPP**

*524. SHRI K. KALAVENKATA RAO : Will the Minister of POWER be pleased to state :